

(November 1989)

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
3 Triad Center, Suite 350
355 West North Temple
Salt Lake City, Utah 84180-1203
(801) 538-5340

SELF BONDING AND INDEMNITY AGREEMENT

This Self Bonding and Indemnity Agreement ("Agreement") is entered into by and between Hecla Mining Company ("Operator") and the State of Utah, Department of Natural Resources, Board of Oil, Gas and Mining ("Board").⁽¹⁾ The Board and the Operator find that:

WHEREAS, pursuant to the Mined Land Reclamation Act, §40-8-1 et seq., Utah Code Annotated (1953, as amended) ("Act") and applicable rules, the Operator has obtained Permit No. M/021/004 from the Division of Oil, Gas and Mining ("Division") to operate the Escalante Mine, a silver mine, in Iron County, Utah, which location is more specifically described in Exhibit A; and,

WHEREAS, the Board and the Operator agree that, upon permanent cessation of operations, complete reclamation of the Escalante Mine pursuant to Permit No. M/021/004, including revisions and amendments (collectively "Permit"), the Act, and applicable rules is essential to protect the land from future harm due to prolonged deterioration; and,

(1) and the United States Department of the Interior, Bureau of Land Management.

WHEREAS, the Operator has requested that the Board accept a written contractual agreement as the form of reclamation surety required by the Act; and,

WHEREAS, the Operator has designated CT Corporation System,
50 W. Broadway, Salt Lake City, UT 84101

(Name, Title, Address)

as its agent for service of process in the State of Utah; and,

WHEREAS, the Operator has been in continuous operation as a business entity for the last five years; and,

WHEREAS, as is indicated on the attached financial sheet, the Operator meets the financial criteria for a written contractual agreement; and,

WHEREAS, the Operator has submitted to the Division and Board financial statements which are accompanied by an audit opinion prepared by Coopers & Lybrand which indicated compliance with the financial criteria.

NOW, THEREFORE, in return for permission to mine pursuant to the Act, the applicable rules and the Permit, in addition to other consideration, the sufficiency and receipt of which is hereby acknowledged, the Operator agrees to be held and bonds to the Board for the sum of \$ 181,500 for the timely performance of reclamation responsibilities for the Escalante Mine, Permit No. M/021/004 in United States currency. By the submission of this Agreement, the Operator will and truly binds itself, its successors and assigns, jointly and severally, by these presents.

The conditions of the above obligations are such that:

1. The Operator shall perform all duties and fulfill all requirements applicable to reclamation of the Escalante Mine as set forth in the Act, the applicable rules, and the terms of the Permit.

2. The liability under this Agreement is conditioned upon successful reclamation of the permit area as provided in the reclamation plan for the Permit for the period of time and in the manner specified in the Act, the applicable rules, and the terms of the Permit. The liability or responsibility of the Operator hereunder is \$ 181,500, provided that the Board may adjust the amount of liability hereunder as provided in Section 5 hereof.

3. Hecla Mining Company (operator) hereby agrees to indemnify and hold the Board and Division harmless from any claim, demand, liability, costs, charge, or suit brought by a third party as a result of the Operator's failure to abide by the terms and conditions of the Reclamation Plan as set forth in the Permit and from any failure to comply with the terms of this Agreement.

4. Upon successful completion of part or all of the obligations secured hereby, the Operator may petition the Board for a final release of part or all of the obligations under this Agreement. Upon such petition, the Division shall conduct an inspection to ascertain whether duties and obligations of the Operator under the Act, the applicable rules, and the Permit have been fulfilled. If it is determined that such duties and obligations have been fulfilled, the Board shall release the Operator from part or all of its obligations under this Agreement and shall file a notice of such release in the property records of Iron County, Utah.

5. Periodically or at the request of the Operator, this Agreement shall be reviewed by the Division and the amount of liability adjusted if the Division determines that the cost of future reclamation has materially changed.


6. The Operator may terminate this Agreement by providing written notice to the Board no less than 120 days prior to the date of termination. The Operator must provide an alternate reclamation surety in the form and amount satisfactory to the Board prior to 30 days before the stated date of termination.

7. The Board may terminate this Agreement by providing written notice to the Operator no less than 120 days prior to the date of termination unless the Board determines that the Operator no longer meets the financial criteria for a written contractual agreement whereupon the Board may shorten the above-stated notice period for termination of this Agreement. The Operator must provide an alternate reclamation surety in the form and amount satisfactory to the Board prior to 30 days before the stated date of termination.

8. If the Operator fails, within the time periods set out in paragraphs six and seven of this Agreement, to provide an alternative reclamation surety satisfactory to the Board, the Division or Board may pursue any available remedies, including, but not limited to, the direction to cease all operations at the Escalante Mine and the direction to initiate and complete all reclamation operations at the Escalante Mine.

9. This Agreement will be governed and interpreted according to Utah law.

On the 6th day of December, ¹⁹⁹⁰~~1989~~, personally appeared before me William J. Grismer and David F. Wolfe who being by me duly sworn did say that he, the said William J. Grismer is the Senior Vice President and Secretary of Hecla Mining Company and said David F. Wolfe is the Assistant Treasurer of Hecla Mining Company and said instrument was signed in behalf of said corporation by authority of its bylaws or a resolution of its board of directors and said William J. Grismer and David F. Wolfe duly acknowledged to me that said corporation executed the same.



Notary Public
Residing at: Coeur d'Alene, Idaho

My Commission Expires:

June 20, 1991

MN84/1-5

NONCOAL
(July 1989)

Mine Escalante
Permit No. M/021/004
Date December 6, 1990
Checked By _____

SELF BONDING QUALIFICATION SHEET

Applicant required to meet one of the following criteria:

1. Current rating for most recent bond issuance
("A" or higher) (Moody's Investor Service or
Standard and Poor's Corporation) _____

or

2. A. Tangible Net Worth = (at least \$10 Million) (Net worth minus intangibles [Goodwill and rights to patents or royalties]) (Goodwill - 147,165)	<u>\$ 129,089,125</u>
B. Total Liabilities/Net Worth (2.5 times or less) =	<u>0.72</u>
C. Current Assets/Current Liabilities (1.2 times or greater) =	<u>3.42</u>
Reference: <u>1989 Annual Report</u>	

or

3. A. Fixed assets in the United States (at least \$20 million) =	<u>\$</u>
B. Total Liabilities/Net Worth (2.5 times or less) =	_____
C. Current Assets/Current Liabilities (1.2 times or greater) =	_____
Reference: _____	

Has the operator been in continuous operation of not less than five (5)
years (immediately preceding the time of application) (submitted five
annual reports)? Yes X No _____

Has the operator furnished financial statements prepared by an
independent certified public accountant in conformity with generally
accepted accounting principles? Yes X No _____

Has the operator furnished unaudited financial statements for
completed quarters in the current fiscal year? Yes X No _____

Has the operator supplied other useful information for determining
financial qualifications? Yes X No _____

EXHIBIT A

The mine and associated disturbed acres are located in Sections 1-3, 9-12, and 14-16, T. 36 S., R. 17 W., Iron County, Utah. The Escalante silver mine is bonded for 80 acres.